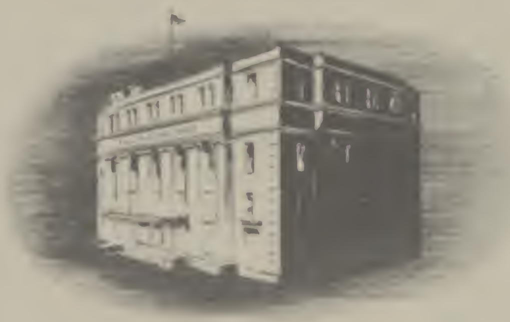
Annual Report

FOR THE YEAR ENDING DECEMBER 31, 1950



CASTLE & COOKE, LTD.

CASTLE & COOKE, LTD.

HONOLULU, HAWAII

DIRECTORS

J. BALLARD ATHERTON	C. J. HENDERSON
E. E. BLACK	P. K. McLEAN
A. G. BUDGE	GEORGE G. MONTGOMERY
H. K. L. CASTLE	A. F. STUBENBERG
S. N. CASTLE	WILHELMINA TENNEY

HENRY A. WHITE

OFFICERS

A. G. BUDGE	President
H. K. L. CASTLE	Vice President
C. J. HENDERSON	Vice President
GEORGE G. MONTGOMERY	Vice President
W. M. BUSH	Treasurer
L. J. HOUGHTON	Assistant Treasurer
HOWARD HUBBARD	Assistant Treasurer
J. C. KELLEY	Assistant Treasurer
MALCOLM MacNAUGHTON	Assistant Treasurer
FREDERICK SIMPICH, JR.	Secretary
HENRY B. CLARK, JR.	Assistant Secretary
L. F. DEACON	Assistant Secretary
H. M. RICHARDS	Assistant Secretary

AUDITOR

YOUNG, LAMBERTON & PEARSON

STOCK TRANSFER AGENTS

Hawaiian Trust Co., Ltd.	Honolulu
Wells Fargo Bank & Union Trust Co.	San Francisco

REGISTRARS

Bishop Trust Co., Ltd.	Honolulu
American Trust Co., Ltd.	San Francisco

Report of the President

To the Stockholders of Castle & Cooke, Limited:

Last year this report opened with the observation, "It is doubtful if Hawaii will again experience a 'normal' year, as that term has been defined in the past." At the outset, 1950 promised a high degree of normalcy, but in June the Korean war broke out and by the year's end, this development was felt in virtually every aspect of Castle & Cooke's activities.

Although the war has had the effect of increasing company earnings by adding to the volume of cargo handled and increasing the sugar price, the grave international situation in which we find ourselves and the lives lost in Korea—a disproportionate number of them from Hawaii—leave us with nothing but regret.

Before involvement in Korea the prospects of a long period of defense mobilization were such that all of the associated companies endeavored to put their properties in readiness for any eventuality. As a result of this anticipation and the high level of operating efficiency attained in 1950, we are as well equipped as could be expected to meet future demands.

The years ahead will be exacting and demanding of sacrifice by business as well as individuals. We are fully prepared to shoulder our share of these burdens and make such contribution to the national welfare as we may be able to do.

This was a year of relative stability in labor relations—the first since the end of World War II—and the operations with which we are associated registered a number of new production records.

Investments and Income

The net profit of Castle & Cooke and its wholly owned subsidiaries for the year 1950 was $1,816,130 as compared with $945,807 in 1949. Dividends paid amounted to $2.40 per share, compared with $1.30 in 1949.

This represents a great improvement over other years following World War II, in which strikes and low sugar prices combined to reduce earnings throughout the Territory. The adequacy of earnings today can not be gauged by dollar volume alone, but must be considered in relation to dollar value which has been steadily decreasing in recent years. This phenomenon is widely recognized in relation to salaries and wages but is not always recognized in relation to corporate earnings.

There were no significant changes in the balance sheet. Despite a steadily increased investment in the macadamia orchard, the cash position continues to show improvement. The past year's results are particularly gratifying as they show the value of the diversification policy adopted by the company several years ago.

Following is a summary of the activities of the industries and companies in which Castle & Cooke has substantial interests. Copies of the annual reports of these companies will be forwarded to you when printed.

Food Production

Sugar

The price received for sugar in the past year was better than expected, primarily as a result of the scare buying that followed the outbreak of the Korean war. The net return to Hawaiian plantations by C&H was $113.90 per ton as compared with $108.61 in 1949. This difference, along with improved yields and operating economies, was sufficient to give Ewa and Waialua higher net returns than in 1949 and permit Kohala to report a modest profit, the first since 1947.

In normal circumstances one of the most influential factors in fixing the sugar price is the Secretary of Agriculture's year-end estimate of U. S. consumption of sugar for the following 12 months. This regulates the amount of foreign-grown sugar which may be imported. While the Secretary's estimate of consumption for 1951 was, in our opinion, excessive and will operate to depress the price of sugar, it is nevertheless probable that the return in 1951 will equal that of 1950. However, practically all elements in our cost of producing sugar will be higher than last year.

Alone among all basic agricultural commodities sugar continues to sell at lower than World War II prices. This disparagement of the sugar price indicates national policy and it is doubted that sugar will become properly adjusted in relation to other commodities until the inequities are recognized in a change of basic policy.

EWA

For the first time since 1946, the effects of the prolonged strike of that year were erased and Ewa was able to show what it could do. Among its achievements was a new world record of 14.05 tons of sugar per acre. The crop of 59,350 tons was the third highest in its history and produced a net profit of $791,334, after a reserve to cover excessive costs of replacing equipment. All of Ewa's lands are leased under terms that in 1950 had the effect of dividing each dollar of operating profit one third to the government in taxes, one third to the landowners and one third to Ewa.

KOHALA

Kohala went far in 1950 to demonstrate its ability to produce an increased volume of sugar. The improved showing is due in large part to the effective teamwork by management and employes. The 41,633-ton crop was a new record for the district and it is hoped that it can be duplicated in 1951. It is significant, however, that despite a record crop and a better-than-average return for sugar, Kohala, after a reserve for excess depreciation, was able to show a profit of only $251,970 on an investment, including outstanding notes, of $7,118,674.

As a part of a long-term study of land use at Kohala, additional borrowings were authorized to the extent necessary to plant pineapples on 250 acres of land formerly in sugar. At this time the pineapples are growing well and have survived unusually heavy rains and yellow spot disease to which new crown plantings are susceptible. Decision on the future of pineapples at Kohala will be deferred until yields are established.

WAIALUA

This plantation had a banner year, producing 65,030 tons of sugar. This was 7.4 per cent more than the 1949 crop which was the largest up to that time. The fields are in a condition that will permit the company to approach this figure again in 1951. During the year the Waialua management completed a study of its present system of transporting cane by rail as compared with the use of Tournahaulers. The latter are diesel powered, electrically controlled hauling units with a carrying capacity of about 35 tons. The study led to a recommendation, subsequently approved by the directors, that a change to Tournahaulers be made in the 1951 off-season. Including collateral improvements to the mill yard, shops and plantation roads, the transition will cost about $2,000,000.

It is fitting that this modernization program was adopted as the final recommendation of the retiring manager, John H. Midkiff, whose contributions to Waialua have been outstanding. When he became manager, the plantation, which is not the most favorably situated, had been producing about 50,000 tons of sugar from the same acreage which he and his staff have made to yield over 65,000 tons. In the interval he has consistently maintained Waialua's position as one of the Territory's low-cost sugar producers despite the fact that its cane transportation costs, because of the out-dated railroad, were substantially higher than those of plantations hauling by truck. Under Mr. Midkiff, Waialua pioneered many improved methods for the sugar industry. It was with regret that his retirement, due to ill health, was accepted. He has been retained as a consultant to the new manager, John W. Anderson, who was formerly his assistant. The friendly esteem with which Mr. Midkiff is regarded by his employes and other members of the Waialua community has been evidenced by the many expressions of appreciation since his retirement was announced.

Waialua's net profit for the year was $949,028 after a reserve for excess depreciation. This compares with $466,614 in 1949.

Pineapple

Hawaiian Pineapple Company, Limited, closed its fiscal year in May with a profit of $5,353,582. Considering market conditions and lower than average fruit yields, the result is gratifying.

Substantial operating economies have been effected and, assuming normal operating conditions, prospects for the future should continue to be favorable.

In the summer of 1950, Hawaiian Pine acquired all of the stock of the John Ii Estate, Limited, as a means of supplementing its production facilities. Included in the assets acquired are about 5,500 acres of land suitable for the growing of pineapples, 2,000 acres of which are presently under cultivation by the company. Occupancy of the remaining 3,500 acres must await termination of existing leases—2,500 acres in 1957 and 1,000 acres in 1963. Meanwhile, the company has discontinued its experimental plantings in Cuba and disposed of its interest in Dolmex, a Mexican corporation.

The purchase of Ii Estate stock was financed by term loans aggregating $10,000,000 from the New York Life Insurance Co. and the Chemical Bank and Trust Co. of New York. These loans will mature in from 5 to 15 years, and require minimum payments of $500,000 per year.

Market demand for Dole products continues strong.

Tuna Fishing

Hawaiian Tuna Packers, Limited, for the fiscal year ending April 30, 1950, reported a modest profit even after deducting substantial non-recurring expenses entailed in exploring Pacific waters for added sources of fish. This question of increasing the volume in the Honolulu cannery continues to be the primary problem of the company.

The market price for tuna weakened in 1950 because the pack was the largest in the history of the industry and there were increasing foreign imports. However, efforts to establish preference for Royal Hawaiian and Hawaiian Maid brands of tuna in certain mainland markets are meeting with some success. At the end of the calendar year orders were increasing, partially as a result of demands arising out of military requirements.

Macadamia Nuts

Over 20,000 trees have been planted on 300 acres of the Castle & Cooke orchard at Keaau outside Hilo, Hawaii. Plantings are continuing at the rate of about 1,250 trees a month. While tree growth continues good and weed control and other cultural problems are being solved, further study of harvesting, processing and marketing is required.

Transportation

This was the first year since the war in which no strike occurred—either on the East or West Coast or in Hawaiian ports—to interrupt the regular flow of commerce between the islands and the mainland. This opportunity to continue operations without interruption, combined with a substantial increase in cargo volume due to the expanded defense effort, favored both Castle & Cooke Terminals and the Castle & Cooke freight agency. The increased volume served to offset the steady rise in costs that occurred through the year.

Matson Navigation Company

During 1950 Matson succeeded in establishing and maintaining the schedules and service which have been so frequently interrupted since the war by strikes. The increased freight offerings that followed the Korean war flooded West Coast docks for several sailings and briefly disrupted schedules. The latter, however, were quickly restored.

In the tourist field, which Matson has so long led, the hotels and the Lurline enjoyed a successful year. This was due in no small measure to the

company's foresight in developing tour and convention business for the spring "slump" which has extended in the past from April to June. Far-sighted work in this direction and in undertaking to stretch the summer season beyond its September limit, served to benefit the whole Territory. To add to its support of Hawaii's third industry, Matson began construction late in 1950 of a new 140-room hotel at Waikiki, to be known as the SurfRider.

The company has also contributed substantially to the Hawaii Visitors Bureau and has participated with the Bureau and other carriers in drafting plans for general promotion of Hawaii's travel business.

Efforts continued throughout the year to dispose of the Mariposa and Monterey, which still lie half rebuilt in the San Francisco bay. Though the prolonged negotiations have at times offered some promise of a solution, no agreement has yet been worked out with the government.

The resumption of regular operations permitted Matson to improve its cash position to such an extent that it has paid off all its bank loans. Though rising costs narrowed Matson's profit margin, the company was able to pay a dividend for each of the last three quarters of the year.

Isthmian Steamship Company

This company, which Castle & Cooke represents as freight agent, continued to provide the Territory with a reliable service from East Coast and Gulf ports throughout 1950. Frequent visits to Hawaii by its operating personnel have become a matter of Isthmian policy and are serving further to improve the excellent service its vessels afford.

Castle & Cooke Terminals, Limited

Favored with full cooperation from the work force and increased volume, this company was able to record an improvement in efficiency during the year and report satisfactory financial results. Work opportunities for the employes of the company were maintained at a satisfactory level despite low volume in the first months of the year. If the company faces any major difficulty in the period of preparedness ahead, it may prove to be a shortage of man power. The extent of this problem will depend upon mobilization policy and the scope of defense preparations in Hawaii.

In March the second seven-cent increase, negotiated as part of the 1949 agreement, became effective for longshore personnel. Negotiations looking

toward long-term extension of the waterfront contract were begun in November and were successfully concluded early in 1951. The new agreement, if approved by Economic Stabilization officials, should help to maintain the continuity of longshore operations which ran smoothly and without interruption throughout 1950.

Merchandise

Activity in the heavy equipment field was depressed for the first six months of 1950. However, the Korean war and threat of shortages resulted in a sharp increase in sales during the last half of the year. The equipment companies owned by Castle & Cooke have been able to stock a liberal supply of merchandise and parts which should permit them to take care of the needs of customers in 1951.

A. F. Stubenberg, Limited

This company was supported in the slow part of the year by the steady demand of the sugar and pineapple industries for its fabricating work. The lines of manufacturers' equipment represented have also had ready acceptance throughout the Territory. A satisfactory profit was reported for the year.

To the extent materials are available, the function of this company in adapting standard units of industrial machinery for specialized uses in sugar and pineapple should keep it profitable through the period ahead.

Hawaiian Equipment Company, Limited

During 1950 this company completed its fifth year. Although business was slow and competition keen in the first eight months, there was a satisfactory increase in new customers. There was a significant increase in sales at the end of the year.

Inasmuch as equipment sold by this company is fundamental to the economy of the Territory, it is hoped that having passed through the organization stage the company can be operated at a satisfactory profit. Continued success depends largely on availability of material from suppliers.

Other Interests

Helemano Company, Limited

Castle & Cooke is operating agent for this company's land and investment interests. Certain of Helemano's leases of pineapple lands contain a provision for upward adjustments of rentals when the index of whole-

sale commodity prices reaches 157.2. The average of the index for the year 1950 was substantially in excess of this figure and Helemano benefitted accordingly. The profit of Helemano was $1,274,716 as compared with $1,099,147 in 1949. A total of $1,157,813 was distributed to stockholders in dividends, there being no immediate requirements for Helemano to conserve cash.

Honolulu Oil Corporation

Our relative ownership in this company remained unchanged by a stock dividend of 100 per cent which Honolulu Oil declared toward the close of 1950. Earnings on this investment were satisfactory.

General

Stockholders and Employes

The number of employes in Honolulu, including those on military leave, decreased from 153 to 146, while the San Francisco office staff remained at 13. Those working for the wholly owned subsidiary companies and the macadamia division total 1,113.

The number of stockholders increased slightly from 945 at the beginning of the year to 975 at the close.

There were no major changes in personnel during the year, though the following Castle & Cooke employes have already been called to military service:

Alvin Aona
David Ching
Duncan S. Gray
Bertram S. Kawano
Rowland B. Reeve
Bruce H. White

Labor Relations

The year of stability in this field gave the Industrial Relations staffs at Castle & Cooke and associated companies a long awaited opportunity to return to their primary functions of developing and administering sound personnel policies in the day-to-day relationships of management and employes. Not the least damage done by periods of labor disturbance is the interruption of these relationships. Among other subjects, the year saw progress made in a study of the whole field of employe benefits.

Conclusion

This report will reach you as Castle & Cooke closes its first hundred years of operation. Since its founding June 2, 1851, the company has continued under the name of Castle & Cooke and with no abrupt shifts in ownership, circumstances which are unusual in business annals.

In 1851 foreign powers, recognizing the strategic importance and commercial potential of Hawaii, were vying with the United States for possession of the islands.

In the intervening century the many social and economic changes have had the fortunate effect of drawing Hawaii tightly into the American pattern of political and business life. This company is proud that its founders and its leadership through the years have contributed to this trend.

It took the original partners of Castle & Cooke 116 days to make their first trip to the islands. Now air travel from Hawaii to the East Coast requires less than 21 hours. Similarly, social and political differences separating the Territory from the mainland have been reduced to the point where statehood for Hawaii is overdue.

During the years, hundreds of businesses have started and disappeared from the Hawaiian scene. Castle & Cooke could not have survived and prospered without the support of the community it serves — the people of Hawaii.

Respectfully submitted,

A G Budge

President, Castle & Cooke, Ltd.

PRINCIPAL INVESTMENTS OF CASTLE & COOKE, LIMITED

(Excluding Wholly Owned Subsidiaries)

AS OF DECEMBER 31, 1950

	Outstanding Shares	Number of Shares Held	% of Total Outstanding
Bay & River Navigation Company	17,000	2,925	17.2
Ewa Plantation Company	250,000	51,082	20.4
Hawaiian Pineapple Company, Limited	1,484,938	236,500	15.9
Hawaiian Tuna Packers, Limited	110,000	45,490	41.4
Helemano Company, Limited	609,375	158,018	25.9
Home Insurance Company, Limited	50,000	19,208	38.4
Honolulu Oil Corporation	1,875,486	80,000	4.3
Kohala Sugar Company:			
Common Stock	159,500	140,578	88.1
Preferred Stock	7,000	5,413	77.3
Matson Navigation Company	1,645,643	208,413	12.7
Waialua Agricultural Company, Limited	609,375	158,500	26.0

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AT DECEMBER 31st

	1950		1949	
CURRENT ASSETS:				
Cash	$ 2,073,677		$ 1,752,507	
U. S. Government Securities at Cost Less Amortization	2,190,406		1,940,225	
Accounts and Other Receivables	778,736		1,119,553	
Inventories:				
Merchandise at Lower of Cost or Market	1,240,024		994,459	
Supplies at Cost	96,192		94,977	
Prepaid Expenses	29,153		25,056	
		$ 6,408,188		$ 5,926,777
Note Receivable—Kohala Sugar Company		1,000,000		1,000,000
		$ 7,408,188		$ 6,926,777
DEDUCT CURRENT LIABILITIES:				
Accounts and Other Payables	$ 2,351,992		$ 2,735,459	
Territorial Income, Federal Income and Excess Profits Taxes	550,258		119,403	
		2,902,250		2,854,862
NET WORKING ASSETS		$ 4,505,938		$ 4,071,915
INVESTMENTS AT BOOK VALUE		11,598,894		11,391,181
LAND AT COST		653,741		576,485
BUILDINGS AND EQUIPMENT (Less Reserve for Depreciation)		1,068,390		1,034,355
OTHER ASSETS—Notes Receivable		307,726		360,761
DEFERRED CHARGES		33,451		23,288
		$18,168,140		$17,457,985
DEDUCT RESERVES:				
Workmen's Compensation	$ 6,705		$ 7,928	
Contingencies	24,167		302,981	
		30,872		310,909
TOTAL NET ASSETS IN WHICH CAPITAL WAS INVESTED		$18,137,268		$17,147,076
SOURCES FROM WHICH ABOVE NET ASSETS WERE OBTAINED:				
Capital Stock (500,000 Shares of $20 Par Value)	$10,000,000		$10,000,000	
Capital in Excess of Par Value of Stock	479,827		479,827	
Accumulated Earnings Retained and Used in the Business	8,008,155		6,939,360	
	$18,487,982		$17,419,187	
Less Treasury Stock at Cost	350,714	(12,545 Shares)	272,111	(9,282 Shares)
TOTAL CAPITAL INVESTED		$18,137,268		$17,147,076

CONSOLIDATED STATEMENT
OF
OPERATING RESULTS

	1950		1949	
INCOME:				
Agency Fees	$1,237,366		$1,084,597	
Sales of Goods and Services (Subsidiaries)	1,723,471		948,696	
Dividends	1,564,402		970,067	
Interest	65,502		64,083	
Rents	41,349		38,289	
Miscellaneous (Net)	56,668		59,175	
		$4,688,758		$3,164,907
COSTS:				
Operating Expenses	$2,322,370		$2,112,708	
Territorial Income, Federal Income and Excess Profits Taxes	550,258		106,392	
		2,872,628		2,219,100
NET INCOME		**$1,816,130**		**$ 945,807**
ACCUMULATED EARNINGS RETAINED AND USED IN THE BUSINESS—JANUARY 1st		**6,939,360**		**6,610,578**
ADD:				
Transfers (Net)—Reserve for Contingencies		424,186		23,631
		$9,179,676		**$7,580,016**
DEDUCT:				
Dividends Paid		1,171,521		640,656
ACCUMULATED EARNINGS RETAINED AND USED IN THE BUSINESS—DECEMBER 31st		**$8,008,155**		**$6,939,360**

Auditor's Certificate

To the Stockholders of
Castle & Cooke, Limited:

We have examined the consolidated statement of financial condition of Castle & Cooke, Limited and its wholly owned subsidiaries as of December 31, 1950, and the consolidated statement of operating results for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have reviewed and accepted the report of an independent auditor for one of the subsidiaries.

In our opinion, the accompanying statements of financial condition and operating results present fairly the consolidated financial position of Castle & Cooke, Limited and its wholly owned subsidiaries at December 31, 1950 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

YOUNG, LAMBERTON & PEARSON
Certified Public Accountants

Honolulu, T. H.
March 7, 1951